Budget Footnotes

A NEWSLETTER OF THE OHIO LEGISLATIVE SERVICE COMMISSION MAY 2018

STATUS OF THE GRF

HIGHLIGHTS

– Ross Miller, Chief Economist, 614-644-7768

April GRF revenues exceeded the estimate that the Office of Budget and Management (OBM) published in September by $183.4 million, thanks to a better-than-expected April income tax filing season. GRF tax revenue contributed $130.8 million of the total, led by the income tax, which exceeded expectations by $98.4 million.

Through April 2018, GRF sources totaled $26.70 billion:

- Revenue from the personal income tax was $309.4 million (4.7%) above estimate;
- Sales and use tax receipts were $33.1 million (0.4%) above estimate.

Through April 2018, GRF uses totaled $27.25 billion:

- Program expenditures were $238.4 million (0.9%) below estimate during the first ten months of FY 2018;
- Spending on Medicaid was $220.5 million below estimate, and most other expenditure categories were below their estimates by lesser amounts;
- Expenditures for Primary and Secondary Education and for Property Tax Reimbursements were above estimate by $81.1 million and $35.6 million, respectively, primarily due to timing.

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Table 1: General Revenue Fund Sources
Actual vs. Estimate
Month of April 2018
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on May 1, 2018)

STATE SOURCES	Actual	Estimate*	Variance	Percent
TAX REVENUE				
Auto Sales	$144,109	$127,200	$16,909	13.3%
Nonauto Sales and Use	$765,804	$753,500	$12,304	1.6%
Total Sales and Use Taxes	**$909,912**	**$880,700**	**$29,212**	**3.3%**
Personal Income	$941,835	$843,400	$98,435	11.7%
Commercial Activity Tax	$63,029	$46,800	$16,229	34.7%
Cigarette	$74,492	$73,700	$792	1.1%
Kilowatt-Hour Excise	$30,911	$33,100	-$2,189	-6.6%
Foreign Insurance	$333	-$2,200	$2,533	115.1%
Domestic Insurance	$1,120	$400	$720	180.1%
Financial Institution	$23,771	$38,100	-$14,329	-37.6%
Public Utility	$353	$100	$253	252.9%
Natural Gas Consumption (MCF)	$4,059	$3,700	$359	9.7%
Alcoholic Beverage	$2,750	$4,300	-$1,550	-36.0%
Liquor Gallonage	$4,131	$3,800	$331	8.7%
Petroleum Activity Tax	$0	$0	$0	---
Corporate Franchise	$0	$0	$0	---
Business and Property	$0	$0	$0	---
Estate	$14	$0	$14	---
Total Tax Revenue	**$2,056,711**	**$1,925,900**	**$130,811**	**6.8%**
NONTAX REVENUE				
Earnings on Investments	$16,495	$16,000	$495	3.1%
Licenses and Fees	$10,613	$2,330	$8,283	355.5%
Other Revenue	$15,613	$10,620	$4,993	47.0%
Total Nontax Revenue	**$42,721**	**$28,950**	**$13,771**	**47.6%**
TRANSFERS				
Budget Stabilization	$0	$0	$0	---
Other Transfers In	$0	$0	$0	---
Total Transfers In	**$0**	**$0**	**$0**	**---**
TOTAL STATE SOURCES	**$2,099,431**	**$1,954,850**	**$144,581**	**7.4%**
Federal Grants	$922,779	$883,996	$38,783	4.4%
TOTAL GRF SOURCES	**$3,022,211**	**$2,838,846**	**$183,365**	**6.5%**

*Estimates of the Office of Budget and Management as of September 2017.
Detail may not sum to total due to rounding.

Table 2: General Revenue Fund Sources
Actual vs. Estimate
FY 2018 as of April 30, 2018
($ in thousands)
(Actual based on report run in OAKS Actuals Ledger on May 1, 2018)

STATE SOURCES	Actual	Estimate*	Variance	Percent	FY 2017**	Percent Change
TAX REVENUE						
Auto Sales	$1,175,230	$1,114,600	$60,630	5.4%	$1,136,967	3.4%
Nonauto Sales and Use	$7,191,490	$7,219,000	-$27,510	-0.4%	$7,626,008	-5.7%
Total Sales and Use Taxes	**$8,366,720**	**$8,333,600**	**$33,120**	**0.4%**	**$8,762,975**	**-4.5%**
Personal Income	$6,899,291	$6,589,900	$309,391	4.7%	$6,260,845	10.2%
Commercial Activity Tax	$1,185,259	$1,175,600	$9,659	0.8%	$1,005,554	17.9%
Cigarette	$715,592	$715,700	-$108	0.0%	$740,042	-3.3%
Kilowatt-Hour Excise	$295,279	$308,500	-$13,221	-4.3%	$302,806	-2.5%
Foreign Insurance	$316,961	$313,300	$3,661	1.2%	$334,535	-5.3%
Domestic Insurance	$1,523	$3,400	-$1,877	-55.2%	$1,170	30.1%
Financial Institution	$145,571	$135,800	$9,771	7.2%	$132,595	9.8%
Public Utility	$83,774	$78,400	$5,374	6.9%	$72,566	15.4%
Natural Gas Consumption (MCF)	$38,361	$36,800	$1,561	4.2%	$35,459	8.2%
Alcoholic Beverage	$46,152	$47,000	-$848	-1.8%	$47,366	-2.6%
Liquor Gallonage	$40,076	$38,300	$1,776	4.6%	$38,673	3.6%
Petroleum Activity Tax	$5,442	$4,800	$642	13.4%	$5,014	8.5%
Corporate Franchise	$1,971	$0	$1,971	---	$3,371	-41.5%
Business and Property	-$374	$0	-$374	---	-$678	44.8%
Estate	$132	$0	$132	---	$580	-77.2%
Total Tax Revenue	**$18,141,729**	**$17,781,100**	**$360,629**	**2.0%**	**$17,742,871**	**2.2%**
NONTAX REVENUE						
Earnings on Investments	$46,844	$44,000	$2,844	6.5%	$37,357	25.4%
Licenses and Fees	$60,876	$55,750	$5,126	9.2%	$58,468	4.1%
Other Revenue	$262,984	$275,980	-$12,996	-4.7%	$55,052	377.7%
Total Nontax Revenue	**$370,704**	**$375,730**	**-$5,026**	**-1.3%**	**$150,877**	**145.7%**
TRANSFERS						
Budget Stabilization	$0	$0	$0	---	$0	---
Other Transfers In	$133,327	$128,929	$4,398	3.4%	$96,862	37.6%
Total Transfers In	**$133,327**	**$128,929**	**$4,398**	**3.4%**	**$96,862**	**37.6%**
TOTAL STATE SOURCES	**$18,645,760**	**$18,285,759**	**$360,001**	**2.0%**	**$17,990,610**	**3.6%**
Federal Grants	$8,057,708	$8,268,102	-$210,394	-2.5%	$9,803,375	-17.8%
TOTAL GRF SOURCES	**$26,703,468**	**$26,553,861**	**$149,606**	**0.6%**	**$27,793,985**	**-3.9%**

*Estimates of the Office of Budget and Management as of September 2017.

***Cumulative totals through the same month in FY 2017.*

Detail may not sum to total due to rounding.

REVENUES[1]

– Jean J. Botomogno, Principal Economist, 614-644-7758

Overview

Led by good performances from its largest sources, April GRF tax receipts were $130.8 million (6.8%) above OBM's estimates published in September 2017. The personal income tax (PIT) and the sales and use tax exceeded their projections by $98.4 million and $29.2 million, respectively, which helped boost the fiscal year's positive variance for GRF tax sources to $360.6 million (2.0%) at the end of April.

FY 2018 GRF tax sources were $360.6 million above estimate through April.

Overall, through ten months in FY 2018, GRF sources of $26.70 billion were $149.6 million (0.6%) above estimate. In addition to the positive variance for taxes, transfers in were above estimates by $4.4 million (3.4%). These positive variances were partly offset by shortfalls of $210.4 million (2.5%) and $5.0 million (1.3%) for federal grants and for nontax revenue, respectively. GRF taxes and federal grants are expected to make up about 68% and 30%, respectively, of anticipated GRF sources for FY 2018. The latter mainly consists of federal reimbursements for Medicaid expenditures made from state GRF moneys. Tables 1 and 2 show GRF sources for April and for FY 2018 through April, respectively.

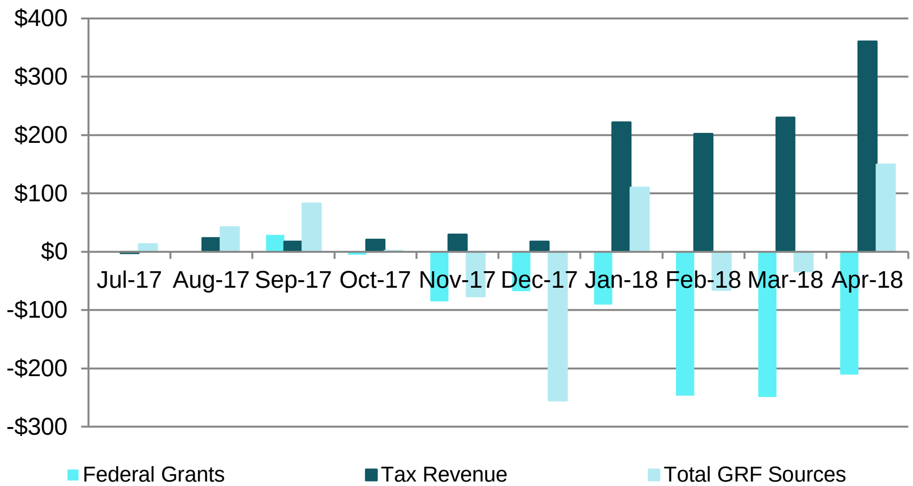
Through April in FY 2018, GRF sources were $149.6 million above estimate.

GRF sources for April were $183.4 million (6.5%) above estimates. In addition to GRF tax sources, federal grants and nontax revenues were above estimates by $38.8 million (4.4%) and $13.8 million (47.6%), respectively; similarly to March, OBM estimates did not include any transfers into the GRF, and none were made in April. Regarding tax sources, joining the PIT and the sales and use tax, the third largest GRF source, the commercial activity tax (CAT) was $16.2 million ahead of estimates. Also, the cigarette and other tobacco products tax, the next largest source, had a positive variance of $0.8 million while the foreign insurance tax experienced a gain of $2.5 million. On the other hand, the kilowatt-hour tax and the alcoholic beverage tax were short of estimates by $2.2 million and $1.6 million, respectively; a $14.3 million deficit for the financial institution tax (FIT) in April erased a positive variance of $14.0 million the previous month, but the tax remained above estimate by $9.8 million for the fiscal year to date (YTD). Other taxes with positive

[1] This report compares actual monthly and year-to-date GRF revenue sources to OBM's estimates. If actual receipts were higher than estimate, that GRF source is deemed to have a positive variance. Alternatively, a GRF source is deemed to have a negative variance if actual receipts were lower than estimate.

variances YTD included the PIT ($309.4 million), the auto sales and use tax ($60.6 million), the CAT ($9.7 million), the public utility tax ($5.4 million), the foreign insurance tax ($3.7 million), and the corporate franchise tax ($2.0 million); taxes with the largest deficits included the nonauto sales and use tax ($27.5 million), the kilowatt-hour tax ($13.2 million), and the domestic insurance tax ($1.9 million).

Chart 1: Cumulative Variances of GRF Sources in FY 2018
(Variance from Estimates, $ in millions)



Through April, federal grants to the GRF were $210.4 million less than estimate.

FY 2018 YTD GRF sources were $1.09 billion (3.9%) below FY 2017 GRF sources through April, due to a decline of $1.75 billion (17.8%) in federal grants. That decline was partially offset by increases of $398.9 million (2.2%) for GRF tax sources, $219.8 million (145.7%) for nontax revenue, and $36.5 million (37.6%) for transfers in.

As explained in previous editions of this publication, federal grants to the GRF will decline from FY 2017 as an important source of Medicaid funding has shifted from the GRF to a dedicated purpose fund. More spending for the Medicaid program is being made from non-GRF funds this fiscal year, and the GRF has received lower federal reimbursements in FY 2018. Though federal grants have decreased substantially, tax sources grew. Revenue grew for the PIT ($638.4 million, 10.2%), the CAT ($179.7 million, 17.9%), the FIT ($13.0 million, 9.8%), the auto sales and use tax ($38.3 million, 3.4%), and the public utility tax ($11.2 million, 15.4%). However, revenue declined for the nonauto sales and use tax ($434.5 million, 5.7%), the foreign insurance tax ($17.6 million, 5.3%), the cigarette tax ($24.4 million, 3.3%), and the kilowatt-hour tax ($7.5 million, 2.5%). The revenue increase for the PIT is due, in large part, to continued growth in payroll employment and wages. The increase in CAT receipts was due in part to an increase in the share of CAT revenue allocated to the

GRF enacted in H.B. 49, the budget act for the current biennium, while the decline in sales tax revenue resulted from a policy change that decreased the nonauto sales and use tax base, as explained in the following section.

Sales and Use Tax

The performance of the sales and use tax in the last two months has returned this tax source to positive territory relative to estimate. Through April 2018, GRF sales and use tax receipts of $8.37 billion were $33.1 million (0.4%) above estimate, but $396.3 million (4.5%) below receipts in the corresponding period last year. Sales and use tax receipts to the GRF totaling $909.9 million for the month were $29.2 million (3.3%) above estimate, which followed an overage of $28.9 million in March. Through February, the combined YTD shortfall had been $25.0 million.

Through April in FY 2018, the sales and use tax was above estimate by $33.1 million.

Though both the nonauto and the auto portions of the tax turned in good performances in April, for the fiscal year, revenue from the auto sales and use tax generally has been more than expected, while the nonauto portion of the tax has failed to match expectations during most months and remains below estimate YTD. For analysis and forecasting, the sales and use tax is separated into two parts: auto and nonauto. Auto sales and use tax collections generally arise from the sale of motor vehicles, but auto taxes arising from leases are paid at the lease signing and are mostly recorded under the nonauto tax instead of the auto tax.[2]

Nonauto Sales and Use Tax

The nonauto sales and use tax was above estimate for the second consecutive month. April receipts to the GRF of $765.8 million were $12.3 million (1.6%) ahead of projections, following a positive variance of $30.1 million in March. This outcome decreased the cumulative YTD negative variance of this tax source to $27.5 million (0.4%), down from $39.8 million at the end of the third fiscal quarter. April 2018 revenue was also $25.9 million (3.3%) below receipts in the same month last year, for reasons described below.

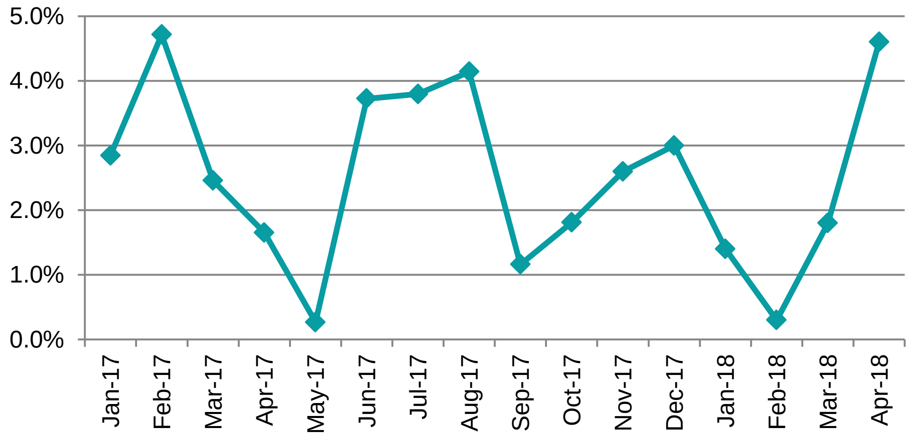
YTD nonauto sales and use tax receipts were $27.5 million below estimate.

For the fiscal year through April, GRF receipts from this tax totaled $7.19 billion, $434.5 million (5.7%) below revenue in the corresponding period in FY 2017, due to a change in law that reduced the taxable base. Starting

[2] Taxes arising from leases are paid immediately upon the lease signing. The clerks of court generally make auto sales and use tax payments on Mondays for taxes collected during the preceding week on motor vehicles, watercraft, and outboard motors titled. Therefore, auto sales and use tax receipts mostly, but not perfectly, reflect vehicles sold and titled during the month.

July 1, 2017, H.B. 49 replaced the sales tax on Medicaid health insuring corporations (MHICs) with a provider assessment on both Medicaid and non-Medicaid managed care companies, with proceeds deposited in a non-GRF fund. Sales tax revenue attributable to MHICs had grown to be a sufficiently large portion of nonauto sales and use tax revenue overall by FY 2017, that declines in revenue from this tax source are generally expected this year when compared to the corresponding months in FY 2017. Monthly revenue growth on a year-ago basis, after adjusting for the decrease in the tax base described above, generally declined early in the fiscal year, but improved greatly after two good months, as shown in Chart 2 below.[3] Compared to the corresponding period last year, in the first two months of 2018, growth averaged 0.6%; in the March-April period, growth averaged 6.2%.

Chart 2: Nonauto Sales and Use Tax Receipts Trend
Actual vs. Prior Year (with tax base adjustment)
(Three-month Moving Average)



Through April in FY 2018, the auto sales and use tax was $60.6 million above estimate.

Auto Sales and Use Tax

The auto sales and use tax continued its stellar performance in April. Monthly receipts from this tax of $144.1 million were $16.9 million (13.3%) above estimate, ensuring that this tax is likely to finish the fiscal year above projected revenue. Receipts were also $22.5 million (18.5%) above receipts in the same month in 2017. Total auto sales and use tax revenue of $1.18 billion for the fiscal YTD was $60.6 million (5.4%) above estimate and $38.3 million (3.4%) above revenue in FY 2017 through April. Chart 3 provides year-over-year growth in auto sales and use tax collections in 2017.

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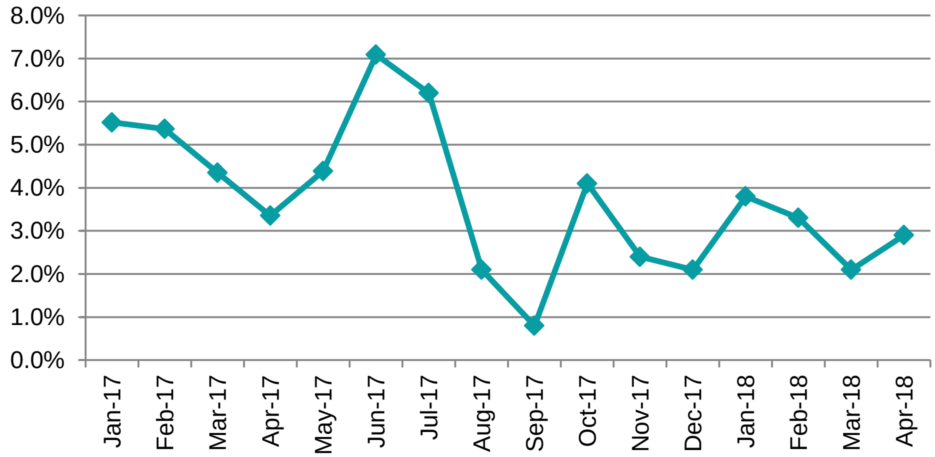
[3] Please note that to adjust for changes to the existing tax base, this chart excludes monthly revenue from MHICs starting in August 2016 in FY 2017 so that changes in nonauto sales and use tax revenue are on a comparable basis.

Chart 3: Auto Sales and Use Tax Receipts Trend
Actual vs. Prior Year
(Three-month Moving Average)



April U.S. sales of new light vehicles (autos and light trucks) of 17.1 million units (at a seasonally adjusted annualized rate) were largely in line with expectations of most auto analysts. Light trucks continued to lead the way, having regularly surpassed two-thirds of total sales. This has been so consistent that some automakers are starting to phase out or substantially cutting production of some sedan models, including General Motors, Fiat-Chrysler, and Ford. However, tightening access to credit and a few interest rate hikes that are likely to make car loans more expensive may hinder new vehicle sales in the remainder of 2018. Additional downside risk may increase if proposed significant steel and aluminum tariffs by the U.S. administration, which would also make new vehicles more expensive, occur.

PIT GRF revenue was $309.4 million above estimate in FY 2018 through April.

Personal Income Tax

The conclusion of the income tax filing season was positive and monthly PIT receipts of $941.8 million in April were $98.4 million (11.7%) above projected revenue. This performance increased the YTD positive variance for this tax to $309.4 million (4.7%), up from $211.0 million for the first three quarters of the fiscal year. FY 2018 GRF revenue of $6.90 billion was $638.4 million above PIT receipts through April last year.

PIT revenue is comprised of gross collections, minus refunds and distributions to the Local Government Fund (LGF). Gross collections consist of employer withholdings, quarterly estimated payments,[4] trust payments, payments associated with annual returns, and other miscellaneous payments. The performance of the tax is typically driven by employer withholdings, which is the largest component of gross collections, and to a lesser extent, the amount of refunds to taxpayers.

In April, taxes due with annual returns, employer withholding, and quarterly estimated payments exceeded anticipated receipts by $36.3 million (7.4%), $31.8 million (4.3%), and $29.7 million (34.1%), respectively. Those positive variances were partially offset by shortfalls of $12.4 million (45.8%) for trust payments and $5.4 million (44.3%) for miscellaneous payments. Refunds were $19.0 million (3.9%) below their anticipated level.

FY 2018 revenues through April from each component of the PIT relative to estimates and to revenue received in FY 2017 are detailed in the table below. Excluding trust payments that were $4.0 million (7.9%) below estimate, the remaining components of gross collections exceeded projections, including withholding ($121.7 million) and quarterly estimated payments ($203.0 million). Both refunds and LGF distributions were higher than anticipated.

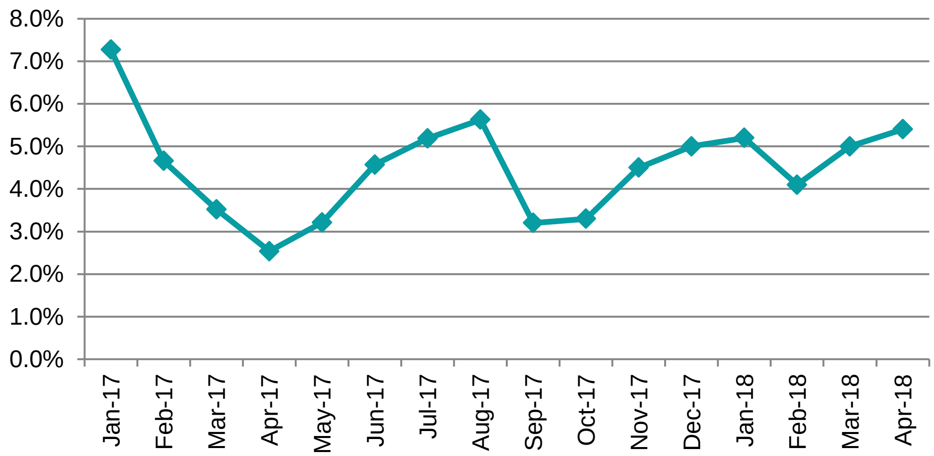
FY 2018 Personal Income Tax Revenue
Estimate Variances and Year-over-Year Changes by Component

Category	Variance from Estimate		Changes from FY 2017	
	Amount ($ in millions)	Percentage (%)	Amount ($ in millions)	Percentage (%)
Withholding	$121.7	1.7%	$336.2	4.8%
Quarterly Estimated Payments	$203.0	32.8%	$220.2	36.6%
Trust Payments	-$4.0	-7.9%	-$1.5	-3.0%
Annual Return Payments	$13.4	2.0%	$45.9	7.3%
Miscellaneous Payments	$1.3	1.7%	$3.4	4.4%
Gross Collections	$335.5	3.9%	$604.3	7.2%
Less Refunds	$20.0	1.1%	-$39.4	-2.2%
Less LGF Distribution	$6.1	2.0%	$5.2	1.7%
GRF PIT Revenue	$309.4	4.7%	$638.5	10.2%

[4] Quarterly estimated payments are made by taxpayers who expect to be underwithheld by more than $500. Payments are due in April, June, and September of an individual's tax year and January of the following year. Most estimated payments are made by high-income taxpayers.

Compared to corresponding receipts in FY 2017 through April, receipts from employer withholding, quarterly estimated payments, miscellaneous payments, and payments with annual returns were all higher in FY 2018, but trust payments were below such payments last year. LGF distributions were also higher than in the corresponding period in FY 2017, though refunds were lower. The chart below illustrates the growth of monthly employer withholdings on a three-month moving average relative to one year ago. Payrolls have been growing at roughly 5%, on average, in calendar year 2018.

Chart 4: Monthly Withholding Receipts Trend
Actual vs. Prior Year
(Three-month Moving Average)



The performance of the PIT has been solid throughout the fiscal year. With the positive conclusion of the individual income tax filing season and strong April quarterly estimated payments, it is likely the tax will finish the fiscal year ahead of estimates.

Commercial Activity Tax

FY 2018 CAT GRF tax receipts through April were $9.7 million above estimate.

At the end of the first three fiscal quarters, GRF receipts from the CAT were $6.6 million below estimate, as this tax source weakened in the earlier months of 2018. GRF revenue of $63.0 million in the latest month was $16.2 million (34.7%) above projected revenue, thus resulting in a positive variance of $9.7 million (0.8%) at the end of April. However, the last quarterly calendar taxpayer payment is due in May, and revenue from that payment will likely determine the yearly performance of the CAT.

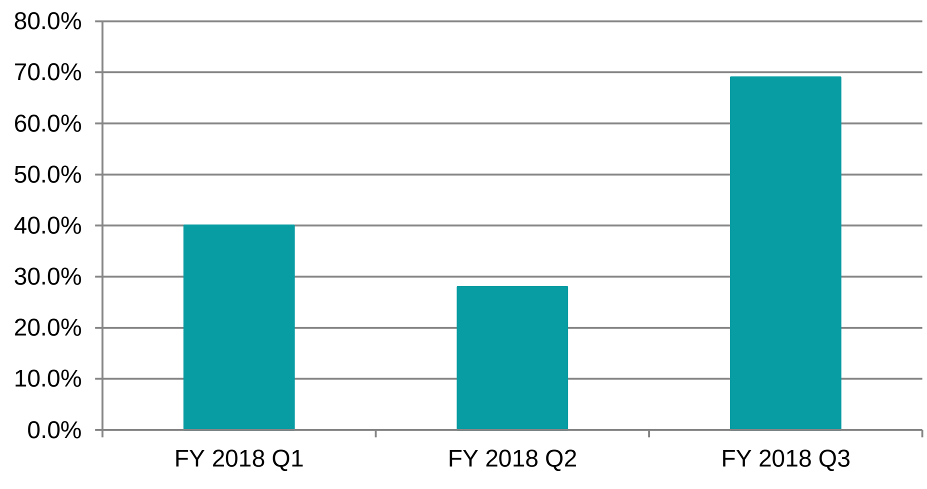
YTD FY 2018 GRF receipts of $1.19 billion were $179.7 million (17.9%) above receipts in FY 2017 through April. This strong growth was due in part to the change in allocation of revenue enacted in H.B. 49. H.B. 49 increased the share of CAT revenue credited to the GRF from 75%

to 85% beginning July 1, 2017, and decreased the shares allocated to reimburse school districts from 20% to 13% (Fund 7047) and to other local taxing units from 5% to 2% (Fund 7081) for their loss of tangible personal property tax revenues. This change in allocation increased GRF receipts by roughly $139 million this year relative to the previous allocation of CAT revenue. While the allocation change increases the amount of CAT receipts directly credited to the GRF, it reduces "excess" CAT receipts that are transferred back to the GRF. Under continuing law, CAT receipts deposited into Fund 7047 and Fund 7081 are used to make reimbursement payments to school districts and other local taxing units, respectively, for the phase-out of property taxes on general business tangible personal property. Any receipts in excess of amounts needed for such payments are transferred back to the GRF. In other words, the CAT allocation change has no net effect on its total contribution to the GRF.

On a year-ago basis, gross collections have been relatively robust. Through April 2018, they have increased by $91.9 million (6.4%) relative to collections in the corresponding period in FY 2017. On the other hand, refunds also increased by $39.3 million (45.8%), most of which came in the third fiscal quarter. In FY 2017, refunds totaled $85.7 million. Through April this fiscal year, refunds were already $124.9 million, with two months left in the fiscal year. Chart 5 below provides growth in quarterly refunds compared to refunds in the same quarter the previous year.

FY 2018 cigarette tax receipts were nearly on target through April.

Chart 5: Growth in CAT Refunds (vs. Same Quarter a Year Ago)



Cigarette and Other Tobacco Products Tax

Cigarette and other tobacco products tax revenue of $74.5 million in April 2018 was $0.8 million (1.1%) above estimate, and $1.7 million (2.4%) above revenue in the same month last year. For the fiscal year through

April, FY 2018 revenue from the cigarette and other tobacco products tax of $715.6 million was $0.1 million (0.0%) below estimate, and $24.5 million (3.3%) below revenue in the corresponding period in FY 2017. Total revenue included $657.5 million and $58.1 million from sales of cigarettes and sales of other tobacco products, respectively. Compared to FY 2017, receipts from cigarette sales fell $30.7 million (4.5%) while those from other tobacco products grew $6.3 million (12.1%). Revenue from the cigarette and other tobacco products tax usually trends downward, generally at a slow pace.

Table 3: General Revenue Fund Uses
Actual vs. Estimate
Month of April 2018
($ in thousands)
(Actual based on OAKS reports run May 2, 2018)

PROGRAM	Actual	Estimate*	Variance	Percent
Primary and Secondary Education	$611,542	$630,176	-$18,635	-3.0%
Higher Education	$182,365	$184,303	-$1,938	-1.1%
Other Education	$6,524	$6,837	-$314	-4.6%
Total Education	**$800,431**	**$821,317**	**-$20,886**	**-2.5%**
Medicaid	$1,459,574	$1,388,543	$71,031	5.1%
Health and Human Services	$129,092	$131,207	-$2,115	-1.6%
Total Welfare and Human Services	**$1,588,666**	**$1,519,750**	**$68,916**	**4.5%**
Justice and Public Protection	$211,636	$200,608	$11,028	5.5%
General Government	$29,877	$31,753	-$1,875	-5.9%
Total Government Operations	**$241,513**	**$232,361**	**$9,152**	**3.9%**
Property Tax Reimbursements	$396,257	$256,798	$139,458	54.3%
Debt Service	$77,998	$82,229	-$4,231	-5.1%
Total Other Expenditures	**$474,254**	**$339,027**	**$135,227**	**39.9%**
Total Program Expenditures	**$3,104,864**	**$2,912,456**	**$192,408**	**6.6%**
TRANSFERS				
Budget Stabilization	$0	$0	$0	---
Other Transfers Out	$41	$0	$41	---
Total Transfers Out	**$41**	**$0**	**$41**	**---**
TOTAL GRF USES	**$3,104,906**	**$2,912,456**	**$192,449**	**6.6%**

*September 2017 estimates of the Office of Budget and Management.

Detail may not sum to total due to rounding.

Table 4: General Revenue Fund Uses
Actual vs. Estimate
FY 2018 as of April 30, 2018
($ in thousands)
(Actual based on OAKS reports run May 2, 2018)

PROGRAM	Actual	Estimate*	Variance	Percent	FY 2017**	Percent Change
Primary and Secondary Education	$6,846,107	$6,765,008	$81,099	1.2%	$6,956,452	-1.6%
Higher Education	$1,924,091	$1,935,922	-$11,831	-0.6%	$1,918,996	0.3%
Other Education	$62,888	$63,905	-$1,017	-1.6%	$65,942	-4.6%
Total Education	**$8,833,087**	**$8,764,836**	**$68,251**	**0.8%**	**$8,941,390**	**-1.2%**
Medicaid	$12,405,557	$12,626,015	-$220,458	-1.7%	$14,503,409	-14.5%
Health and Human Services	$1,128,633	$1,189,457	-$60,823	-5.1%	$1,165,466	-3.2%
Total Welfare and Human Services	**$13,534,190**	**$13,815,471**	**-$281,281**	**-2.0%**	**$15,668,875**	**-13.6%**
Justice and Public Protection	$1,842,991	$1,856,019	-$13,028	-0.7%	$1,766,592	4.3%
General Government	$301,391	$322,592	-$21,201	-6.6%	$317,702	-5.1%
Total Government Operations	**$2,144,382**	**$2,178,611**	**-$34,229**	**-1.6%**	**$2,084,294**	**2.9%**
Property Tax Reimbursements	$1,386,220	$1,350,667	$35,553	2.6%	$1,292,362	7.3%
Debt Service	$1,280,689	$1,307,342	-$26,653	-2.0%	$1,276,056	0.4%
Total Other Expenditures	**$2,666,909**	**$2,658,009**	**$8,900**	**0.3%**	**$2,568,419**	**3.8%**
Total Program Expenditures	**$27,178,568**	**$27,416,928**	**-$238,359**	**-0.9%**	**$29,262,978**	**-7.1%**
TRANSFERS						
Budget Stabilization	$0	$0	$0	---	$29,483	-100.0%
Other Transfers Out	$69,486	$65,514	$3,972	6.1%	$256,300	-72.9%
Total Transfers Out	**$69,486**	**$65,514**	**$3,972**	**6.1%**	**$285,783**	**-75.7%**
TOTAL GRF USES	**$27,248,055**	**$27,482,442**	**-$234,387**	**-0.9%**	**$29,548,760**	**-7.8%**

*September 2017 estimates of the Office of Budget and Management.

**Cumulative totals through the same month in FY 2017.

Detail may not sum to total due to rounding.

Table 5: Medicaid Expenditures by Department
Actual vs. Estimate
($ in thousands)
(Actuals based on OAKS report run on May 7, 2018)

	Month of April 2018				Year to Date Through April 2018			
Department	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Medicaid	**$1,971,173**	**$2,063,278**	**-$92,104**	**-4.5%**	**$19,748,991**	**$20,091,628**	**-$342,637**	**-1.7%**
GRF	$1,402,524	$1,333,396	$69,128	5.2%	$11,833,833	$12,051,809	-$217,976	-1.8%
Non-GRF	$568,649	$729,881	-$161,232	-22.1%	$7,915,157	$8,039,819	-$124,662	-1.6%
Developmental Disabilities	**$238,697**	**$232,905**	**$5,793**	**2.5%**	**$2,249,217**	**$2,301,897**	**-$52,679**	**-2.3%**
GRF	$50,446	$48,124	$2,321	4.8%	$498,064	$495,867	$2,197	0.4%
Non-GRF	$188,252	$184,780	$3,471	1.9%	$1,751,154	$1,806,030	-$54,876	-3.0%
Job and Family Services	**$20,054**	**$17,825**	**$2,229**	**12.5%**	**$202,366**	**$215,390**	**-$13,024**	**-6.0%**
GRF	$5,951	$6,491	-$540	-8.3%	$66,020	$71,095	-$5,076	-7.1%
Non-GRF	$14,103	$11,334	$2,769	24.4%	$136,346	$144,295	-$7,948	-5.5%
Health	**$1,498**	**$1,336**	**$162**	**12.1%**	**$21,453**	**$22,176**	**-$723**	**-3.3%**
GRF	$359	$271	$88	32.7%	$3,326	$2,978	$348	11.7%
Non-GRF	$1,139	$1,066	$73	6.9%	$18,127	$19,198	-$1,071	-5.6%
Mental Health and Addiction	**$321**	**$430**	**-$108**	**-25.2%**	**$3,205**	**$4,205**	**-$1,000**	**-23.8%**
GRF	$0	$0	$0	--	$1,250	$1,250	$0	0.0%
Non-GRF	$321	$430	-$108	-25.2%	$1,955	$2,955	-$1,000	-33.8%
Aging	**$534**	**$550**	**-$16**	**-2.8%**	**$4,924**	**$6,033**	**-$1,109**	**-18.4%**
GRF	$279	$250	$29	11.5%	$2,818	$2,800	$18	0.6%
Non-GRF	$256	$300	-$44	-14.8%	$2,106	$3,233	-$1,127	-34.9%
Pharmacy Board	**$40**	**$36**	**$4**	**10.1%**	**$1,621**	**$1,705**	**-$83**	**-4.9%**
GRF	$0	$0	$0	--	$0	$0	$0	--
Non-GRF	$40	$36	$4	10.1%	$1,621	$1,705	-$83	-4.9%
Education	**$15**	**$21**	**-$6**	**-29.4%**	**$255**	**$427**	**-$172**	**-40.3%**
GRF	$15	$11	$4	40.8%	$247	$216	$31	14.2%
Non-GRF	$0	$11	-$11	-99.6%	$8	$211	-$203	-96.1%
Total GRF	**$1,459,574**	**$1,388,543**	**$71,031**	**5.1%**	**$12,405,557**	**$12,626,015**	**-$220,458**	**-1.7%**
Total Non-GRF	**$772,759**	**$927,838**	**-$155,079**	**-16.7%**	**$9,826,475**	**$10,017,444**	**-$190,970**	**-1.9%**
Total All Funds	**$2,232,333**	**$2,316,381**	**-$84,048**	**-3.6%**	**$22,232,031**	**$22,643,459**	**-$411,428**	**-1.8%**

*Estimates are from the Department of Medicaid.

Detail may not sum to total due to rounding.

Table 6: All-Funds Medicaid Expenditures by Payment Category
Actual vs. Estimate
($ in thousands)
(Actuals based on OAKS report run on May 7, 2018)

	Month of April 2018				Year to Date Through April 2018			
Payment Category	**Actual**	**Estimate***	**Variance**	**Percent**	**Actual**	**Estimate***	**Variance**	**Percent**
Managed Care	$948,958	$927,579	$21,378	2.3%	$9,289,777	$9,307,930	-$18,153	-0.2%
ACA - Managed Care	$337,257	$345,861	-$8,604	-2.5%	$3,414,585	$3,459,153	-$44,568	-1.3%
DDD Services	$235,932	$227,820	$8,111	3.6%	$2,181,415	$2,227,649	-$46,234	-2.1%
Hospitals	$183,441	$194,101	-$10,660	-5.5%	$1,817,552	$1,836,046	-$18,494	-1.0%
Nursing Facilities	$131,655	$122,390	$9,265	7.6%	$1,271,818	$1,211,381	$60,438	5.0%
Physicians/All Other	$100,315	$113,935	-$13,620	-12.0%	$939,622	$1,023,071	-$83,449	-8.2%
Behavioral Health	$85,612	$121,313	-$35,701	-29.4%	$979,472	$1,009,045	-$29,572	-2.9%
Administration	$61,872	$93,630	-$31,758	-33.9%	$755,703	$882,890	-$127,187	-14.4%
Medicare Buy-In	$50,118	$55,288	-$5,170	-9.4%	$504,139	$523,273	-$19,135	-3.7%
Medicare Part D	$36,976	$38,769	-$1,793	-4.6%	$387,359	$401,738	-$14,380	-3.6%
Prescription Drugs	$21,444	$29,098	-$7,654	-26.3%	$261,056	$301,164	-$40,107	-13.3%
Aging Waivers	$29,332	$33,143	-$3,811	-11.5%	$326,824	$343,987	-$17,163	-5.0%
Home Care Waivers	$9,423	$13,454	-$4,031	-30.0%	$102,710	$116,133	-$13,423	-11.6%
Total All Funds	**$2,232,333**	**$2,316,381**	**-$84,048**	**-3.6%**	**$22,232,031**	**$22,643,459**	**-$411,428**	**-1.8%**

* Estimates are from the Department of Medicaid.

Detail may not sum to total due to rounding.

EXPENDITURES[5]

– *Russ Keller, Senior Economist, 614-644-1751*

– *Charles Dobson, Economist, 614-466-1523*

Overview

At the end of April, FY 2018 YTD program expenditures totaled $27.18 billion, $238.4 million (0.9%) below estimate. Tables 3 and 4 show GRF uses for the month of April and for FY 2018 through April, respectively. GRF uses mainly consist of program expenditures but also include transfers out. Including both program expenditures and transfers out, YTD GRF uses were $27.25 billion at the end of April, which was $234.4 million (0.9%) below estimate.

Through April, FY 2018 GRF uses were below estimate by $234.4 million.

This negative YTD variance fell considerably in April. For the month of April, GRF uses totaled $3.10 billion, which was $192.4 million (6.6%) above estimate. This large positive variance in April was driven by Property Tax Reimbursements, which were $139.5 million (54.3%) above estimate. The positive April variance in this category was expected as an offset to the category's negative variance of $101.5 million in March. The category's YTD variance was a positive $35.6 million (2.6%) at the end of April. This program category should finish FY 2018 relatively close to OBM's full-year estimate.

GRF Medicaid expenditures also contributed to April's positive variance. These expenditures were $71.0 million (5.1%) above estimate for the month. Medicaid's GRF YTD variance remained negative, totaling $220.5 million (1.7%) at the end of April, which was 92.5% of the negative variance in total program expenditures. Further details on Medicaid expenditures are given in the section following this overview.

In addition to Property Tax Reimbursements, the Primary and Secondary Education category had a positive YTD variance at the end of April. This category's positive YTD variance narrowed by $18.6 million in April, totaling $81.1 million by the end of month. As reported in prior issues of *Budget Footnotes*, timing issues in the state's foundation funding program have driven fluctuating expenditure variances in this category.

[5] This report compares actual monthly and year-to-date expenditures from the GRF to OBM's estimates of those expenditures. If a program category's actual expenditures were higher than estimate, that program category is deemed to have a positive variance. The program category is deemed to have a negative variance when its actual expenditures were lower than estimate.

All other program categories had negative YTD variances at the end of April. The largest of these was a negative variance of $60.8 million in Health and Human Services. This negative variance was largely the result of expenditures prior to April. For additional details on this variance, please see prior issues of *Budget Footnotes*.

Medicaid

Medicaid is a joint federal-state program. It is mainly funded by the GRF but is also supported by several non-GRF funds. Both GRF and non-GRF Medicaid expenditures contain federal and state dollars.[6] Table 5 shows GRF and non-GRF Medicaid expenditures for the Ohio Department of Medicaid (ODM), the Ohio Department of Developmental Disabilities (ODODD), and six other "sister" agencies that also take part in administering Ohio Medicaid. ODM and ODODD account for about 99% of the total Medicaid budget. The other six agencies – Job and Family Services, Health, Aging, Mental Health and Addiction Services, State Board of Pharmacy, and Education – account for the remaining one percent. Unlike ODM and ODODD, the six "sister" agencies incur only administrative spending.

Through April, FY 2018 GRF and non-GRF Medicaid expenditures were $220.5 million and $191.0 million below estimate, respectively.

GRF Medicaid expenditures were $220.5 million (1.7%) below the estimate for the first ten months of FY 2018. Non-GRF Medicaid expenditures were below estimate by $191.0 million (1.9%). All-funds Medicaid expenditures were $411.4 million (1.8%) below the YTD estimate.

As can be seen from Table 5, the majority of the negative YTD variance in all-funds Medicaid expenditures can be attributed to ODM ($342.6 million) and ODODD ($52.7 million). ODM's GRF and non-GRF Medicaid expenditures were $218.0 million (1.8%) and $124.7 million (1.6%), respectively, below the YTD estimates. ODODD's GRF Medicaid expenditures were above the YTD estimate by $2.2 million (0.4%) while its non-GRF Medicaid expenditures were below the YTD estimate by $54.9 million (3.0%).

Table 6 shows all-funds Medicaid expenditures by payment category. As can be seen in the table, several fee-for-service categories had negative monthly variances. This is because ODM began restructuring the

[6] Federal reimbursements for Medicaid expenditures made from the state GRF are deposited into the GRF as revenue to help support the GRF appropriations for Medicaid. Federal reimbursements for Medicaid expenditures made from state non-GRF funds are deposited into various non-GRF funds for expenditures. In recent years, the federal government has reimbursed about two-thirds of Ohio's total Medicaid expenditures.

payment cycles for specific providers[7] in April 2018. As a result, the scheduled weekly Medicaid payments for those providers have been disbursed one week later than originally anticipated.

Expenditures for Managed Care and ACA-Managed Care, the two largest payment categories, were largely in line with estimates with negative YTD variances of $18.2 million (0.2%) and $44.6 million (1.3%), respectively. Overall, more than 80% of Ohioans enrolled in Medicaid receive services through managed care. The ACA-Managed Care category tracks managed care expenditures for individuals who became eligible for Medicaid through the federal Affordable Care Act.

Expenditures from Managed Care and ACA-Managed Care, the two largest payment categories, were below estimates by $18.2 million and $44.6 million, respectively.

The Administration category had the largest negative YTD variance at $127.2 million (14.4%). Of this variance, $104.0 million was attributable to ODM. This negative variance was primarily due to the following: timing-related issues, prior fiscal year contracts that have not yet been paid, and caseload-driven contracts requiring lower payments to vendors than anticipated.

The Physicians/All Other category had the second largest negative YTD variance at $83.4 million (8.2%), due primarily to two issues. The first is lower than estimated caseloads for home health services. The second is that cost settlement adjustments have not yet been processed for the Medicaid School Program. Cost settlement involves reconciling the amount that schools received to administer services versus how much the schools actually spent.

Two other payment categories with significant negative YTD variances are services provided by ODODD (labeled "DDD Services" in the table) and Prescription Drugs. YTD expenditures for DDD Services were below estimate by $46.2 million (2.1%). Of this variance, $23.0 million was due to lower than expected expenditures for targeted case management services and the remaining $23.2 million was due to timing-related issues. YTD expenditures for Prescription Drugs were $40.1 million (13.3%) below estimate, due largely to lower than estimated per-member per-month prescription drug costs for the Aged, Blind, and Disabled (ABD) population.

Nursing Facilities was the only category with a positive YTD variance. Both caseload and per-member per-month cost for Nursing Facilities have been higher than projected. As a result, this payment category's YTD expenditures were above estimate by $60.4 million (5.0%).

[7] Nursing Facilities, DDD Services, and Managed Care categories are not impacted by this delay in payment.

ISSUE UPDATES

OhioLINK Negotiates Wholesale Price Agreements with Textbook Publishers to Lower Instructional Materials Costs for College Students

– Edward Millane, Senior Budget Analyst, 614-995-9991

In late March, OhioLINK announced statewide wholesale price agreements with four major textbook publishers[8] that reduce the wholesale price of e-textbooks and courseware[9] to institutions and retailers by up to 80% and 55%, respectively. The reduced prices apply to e-textbooks or courseware delivered in the optional "inclusive access" model at higher education institutions. This model permits all students enrolled in a class to receive immediate access to e-textbooks on the first day of the course through an institution's course management system. Further, students are billed for the materials directly through the campus bursar's office, which means students do not need to wait for financial aid or scholarship funds to purchase them. Once purchased, students gain perpetual access to their e-textbooks, allowing them to be used after the course ends or, if the student transfers, at another higher education institution. As a result of these agreements, OhioLINK estimates that savings for students may total as much as $40 million each year. OhioLINK is currently negotiating such agreements with other textbook publishers.

OhioLINK is a statewide cooperative electronic library and information retrieval system that enables access to the shared library collections of 91 public and private colleges and the State Library of Ohio. OhioLINK operations are supported by GRF funding of approximately $6.0 million each year in FY 2018 and FY 2019 in the Department of Higher Education budget. Most of OhioLINK's budget is used to make cooperative purchases of core statewide electronic content licenses, including electronic journals and research databases, to achieve economies of scale among its member institutions.

[8] The four publishing companies are John Wiley & Sons, Macmillan Learning, McGraw-Hill, and Pearson.

[9] "Courseware" includes computer-assisted learning software that may include assignments, homework, and quizzes. A courseware package usually includes an e-textbook.

Libraries Connect Ohio Partnership Plans Additional Content for the Ohio Web Library

– Jason Glover, Budget Analyst, 614-466-8742

Beginning in FY 2019, the state's Libraries Connect Ohio (LCO) partnership will make available additional online publications and research resources to Ohio residents through the Ohio Web Library (OWL). OWL consists of various subscription-based databases and other online resources commonly used by libraries, higher education, and K-12 schools. The resources are offered at no cost to Ohio residents. They are cooperatively purchased by LCO partners – the State Library of Ohio, the Ohio Library and Information Network (OhioLINK), the Ohio Public Library Information Network (OPLIN), and INFOhio. For the five-year period from FY 2019 to FY 2023, OhioLINK negotiated a reduced price for some existing OWL resources that allowed for the purchase of additional content, including a language-learning database, Oxford Research Encyclopedias, curriculum-based educational content enabling young learners to become acquainted with database research, auto repair manuals, and other resources geared toward hobbies and crafts, home improvement, and small business owners.

According to the State Library, the total annual cost for OWL resources will decrease by over $555,000, from $4.5 million in FY 2018 to $4.0 million beginning in FY 2019. OWL's cost is split among each LCO partner, whose contributions for FY 2018 and FY 2019 are displayed in the table below. In FY 2019, the largest share of the cost ($1.5 million, 37.6%) will be supported by federal Library Science and Technology Act (LSTA) funds received by the State Library. GRF funds allocated to OhioLINK and INFOhio combine for a similar share ($1.5 million, 37.4%). The balance of OWL support ($1.0 million, 25.0%) will come from Public Library Fund moneys contributed by OPLIN. Some genealogy resources currently part of OWL but little used by K-12 schools or higher education institutions will be purchased and made available to public libraries separately by OPLIN at a cost of $427,000.

Annual Contributions for Ohio Web Library Resource Costs, FY 2018-FY 2019			
Partner	**Source**	**FY 2018**	**FY 2019**
State Library Board	Federal LSTA grant	$1,600,000	$1,500,000
OPLIN	Public Library Fund	$1,489,155	$1,000,000
OhioLINK	GRF	$957,639	$991,249
INFOhio	GRF	$500,000	$500,000
TOTAL		**$4,546,794**	**$3,991,249**

Ohio Receives $26.1 million for the Opioid Crisis Grant

– Nicholas J. Blaine, Budget Analyst, 614-387-5418

On April 18, 2018, the Ohio Department of Mental Health and Addiction Services (OhioMHAS) was awarded $26.1 million for the State Targeted Response (STR) to the Opioid Crisis Grant. The grant, provided by the U.S. Department of Health and Human Services, is the second installment of STR grant funding received by OhioMHAS. The first installment, awarded in April 2017, was also for $26.1 million. Ohio's STR goals include building community systems of care (including prevention, early intervention, treatment, and recovery support) that emphasize service integration between physical health care, emergency health care, behavioral health care, criminal justice, and child welfare. These new funds will be used to continue and build upon ongoing grant efforts. Currently, OhioMHAS uses the funds to support statewide programs and community-specific programs in 46 counties. Grant activities include: expanding access to medication-assisted treatment, providing additional training to medical professionals, and improving child welfare capacity. Additional information about the state's use of the STR Opioid Crisis Grant can be found on OhioMHAS's website (www.mha.ohio.gov).

The grant is awarded through the federal 21st Century Cures Act. The $485 million in funds are allocated through a formula based on a state's unmet need for opioid use disorder treatment and overdose deaths; out of the 57 states and territories awarded grants, Ohio's allocation is the 5th largest. These funds are expended from federal Fund 3HB0 appropriation item 336503, Cures Opioid STR. In 2016, 4,050 Ohio residents died due to an unintentional overdose with 3,495 (86.3%) due to opiates. In total, 1,000 more Ohioans died from drug overdoses in 2016 compared to 2015, an increase of 32.8%.

U.S. Election Assistance Commission Announces $12.2 million in Elections Security Grants Available to Ohio

– Terry Steele, Senior Budget Analyst, 614-387-3319

In late March 2018, the U.S. Election Assistance Commission announced $380 million in Help America Vote Act (HAVA) Elections Security Fund grants to states. Ohio's share of this grant funding is just under $12.2 million, seventh highest amount among the states, the District of Columbia, and U.S. territories. The grants are to be used to improve voting technology and security related to elections for federal office. The grant allocations are determined through a formula based on a state's voting age population and require a 5% state match. Ohio's required match is just under $610,000 and must be provided by March 23, 2020. States are permitted to charge expenses against the grant for qualifying elections improvements that are incurred on March 23, 2018 and after. Grant funding will be available to the states until March 22, 2023.

Ohio EPA Awards $2.8 million for Alternative Fuel Vehicles

– *Robert Meeker, Budget Analyst, 614-466-3839*

On April 12, 2018, the Ohio Environmental Protection Agency (Ohio EPA) announced the award of $2.8 million to 15 applicants as part of the Alternative Fuel Vehicle Conversion Grant Program. This is a reimbursement program used to make grants to private and public diesel fleet owners that purchase new alternative fuel vehicles (AFV) or convert traditional fuel vehicles to run on alternative fuel.[10]

Eligible vehicles must be registered in Ohio for operation on public highways and weigh at least 26,000 pounds. The purchased or converted AFV must be used for business purposes, and at least half the miles driven by the new or converted AFV must be within the state of Ohio. The maximum grant amount allowed per vehicle is the lesser of 50% of the purchase price of a new AFV, 50% of the cost of conversion, or $25,000. The maximum amount of grant funds allowed to an applicant that purchases or converts multiple AFVs is $400,000.

The 15 recipients are located in 12 counties and include six school districts, four transit authorities, three waste management companies, the city of Columbus, and the Columbus Zoo and Aquarium. The average award was just over $187,000, with the maximum award of $400,000 given to both the Central Ohio Transit Authority and the Greater Cleveland Regional Transit Authority. The full list of recipients is available online at: epa.ohio.gov. H.B. 49 provides up to $5 million for the program in the FY 2018-FY 2019 biennium funded by cash transferred from the Alternative Fuel Transportation Fund (Fund 5CG0), used by the Development Services Agency, to the Non-Title V Clean Air Fund (Fund 4K20), used by the Ohio EPA. The agency will continue to accept and review grant applications until the entire $5 million earmarked amount has been allocated.

ODNR to Receive Nearly $23.4 million under Federal Grants for Sport Fishing and Wildlife Restoration

– *Tom Wert, Budget Analyst, 614-466-0520*

On March 20, 2018, the U.S. Department of the Interior announced federal fiscal year (FFY) 2018 grants under which Ohio would receive approximately $23.4 million for sport fishing and wildlife preservation programs. Specifically, the Ohio Department of Natural Resources (ODNR) would receive approximately $16.5 million under the Aid in

[10] Alternative fuel vehicles include those that run on compressed natural gas, liquefied natural gas, or propane auto gas, including bi-fueled or dual-fueled vehicles that can run on both an alternative fuel and on gasoline or diesel fuel.

Wildlife Restoration Act of 1937 (Pittman-Robertson Act) and approximately $6.9 million under the Federal Aid in Sport Fish Restoration Act of 1950 (Dingell-Johnson Act). Grants received under these acts are deposited to the credit of the Wildlife Fund (Fund 7015) used by ODNR's Division of Wildlife.

The Pittman-Robertson and Dingell-Johnson acts provide formula grant funding to state wildlife agencies. Pittman-Robertson grants are determined by a formula that provides 50% of the funding based on the land area of the state, and 50% by the number of paid hunting licenses issued each year. Similarly, under the Dingell-Johnson Act, 60% of the funding is based on the number of paid fishing licenses issued annually, while 40% is based on the land area of the state. Revenue to support the grants is derived from federal excise taxes on items hunters and anglers use in the field and on the water. This includes firearms, ammunition, archery equipment, and fishing rods and reels, as well as some boat engines and small engine fuel.

Attorney General Releases 2017 Concealed Handgun Annual Report

– Jessica Murphy, Budget Analyst, 614-466-9108

On March 1, 2018, the Ohio Attorney General's Office issued its 2017 Concealed Handgun Law Annual Report, which shows that 131,345 concealed carry licenses were issued statewide, including 77,281 new licenses and 54,064 renewal licenses.[11] This is a decrease of 27,637, or 17.4%, from the all-time high of 158,982 licenses issued in CY 2016. Since Ohio's Concealed Handgun Law went into effect in April 2004, a total of 771,482 new concealed carry licenses have been issued.

According to the report, Franklin (9,583) and Lake (8,502) counties issued the most licenses, each issuing over 7,000 licenses more than the statewide average of 1,492. Together, these two counties accounted for 13.7%, or 18,085, of all licenses issued. As seen from the table below, these counties also issued licenses at rates that are amongst the highest (Lake) and lowest (Franklin) in the state. Madison County had the highest rate of issuance, 54.5 per 1,000 people, versus the average county rate of 15.5 per 1,000 people. In general, urban counties with large populations had the lowest rates.

[11] http://www.ohioattorneygeneral.gov/ConcealedCarry.

Counties with the Highest and Lowest Rates of Concealed Carry Licenses Issued, CY 2017							
Highest Rates				Lowest Rates			
County	Rate*	Number Issued	Rank by Population**	County	Rate*	Number Issued	Rank by Population**
Madison	54.5	2,402	53	Ashtabula	8.4	817	28
Lake	36.9	8,502	10	Lorain	8.4	2,572	9
Vinton	36.4	476	88	Putnam	8.0	270	70
Geauga	35.1	3,300	29	Seneca	7.6	419	47
Ashland	30.9	1,656	48	Franklin	7.4	9,583	1
Highland	30.0	1,291	56	Summit	5.9	3,201	4
Erie	28.3	2,117	35	Coshocton	5.9	216	67
Morgan	24.2	356	85	Hamilton	5.8	4,738	3
Clermont	23.9	4,873	13	Lucas	5.1	2,177	6
Harrison	23.9	363	84	Cuyahoga	1.7	2,163	2
STATEWIDE AVERAGE					**15.5**	**1,492**	**N/A**

* Rate is measured by the number of concealed carry licenses issued per 1,000 people.

** Based on U.S. Census Bureau 2017 population estimates.

ODODD Implements Pay Incentive for Direct Service Professionals

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Starting July 1, 2018, the Ohio Department of Developmental Disabilities (ODODD) will implement a pay incentive for direct service professionals (DSPs) meeting certain requirements. The incentive will provide an extra $1 per hour, an approximately 9% increase over the current rate of $11.16 per hour, for DSPs that have two years of experience providing direct support to individuals with developmental disabilities and have completed at least 60 hours of applicable training. DSPs can access over 130 hours of web-based training courses, which are available free of charge on ODODD's website, to help meet this requirement. ODODD anticipates that this pay incentive will result in a total cost of approximately $25.8 million in FY 2019. These state dollars will draw down approximately $16.3 million in federal Medicaid reimbursements. The $1 incentive will actually be the second pay incentive implemented by ODODD during the FY 2018-FY 2019 biennium. The first incentive, implemented last September, provided a $2.52 per hour increase for staff serving individuals requiring complex care, such as assistance with dressing and eating. ODODD hopes implementation of these pay incentives will address issues related to employee vacancies and turnover in the field.

TRACKING THE ECONOMY

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Overview

The nation's economy remains on a solid uptrend. Economic activity in Ohio also continues to advance. U.S. inflation-adjusted gross domestic product (real GDP) grew at a 2.3% annual rate in this year's first quarter. Ohio real GDP grew at a 1.8% rate in last year's fourth quarter. The nation's industrial production rose through March.

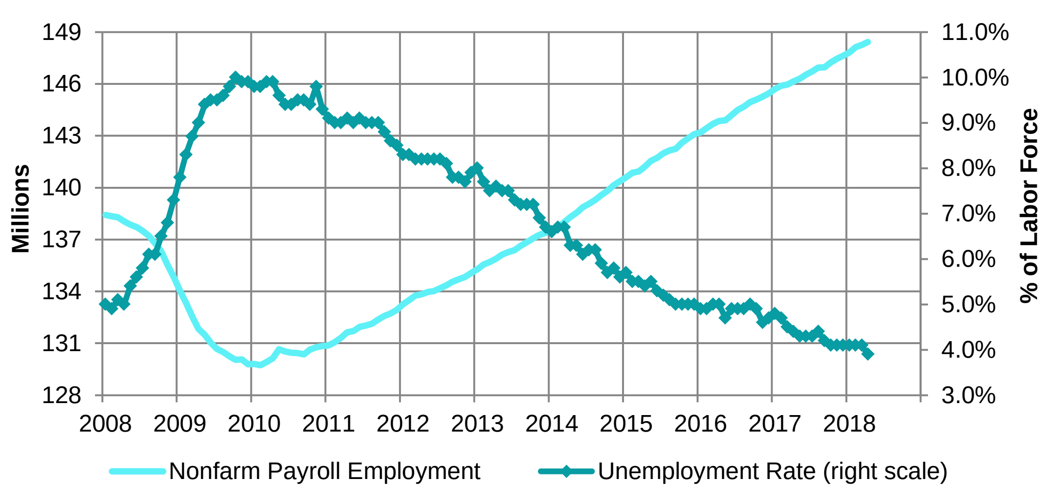
Employment continued to grow in the nation and Ohio, through April and March, respectively, and unemployment rates fell to lows last reached in 2000 and 2001. Reports indicate labor markets are tighter, and pay gains have risen somewhat. Federal income tax cuts and spending increases are putting additional purchasing power in the hands of consumers and businesses. Price inflation has picked up and is close to the 2% goal of the Federal Reserve, the nation's central bank. Monetary policy was held unchanged in May. Interest rates remain supportive of economic activity, up but still low by longer-term historical standards.

Unemployment nationwide fell to 3.9% of the labor force in April, lowest since 2000.

The National Economy

Unemployment nationwide fell to 3.9% of the labor force in April, the country's lowest unemployment rate since 2000. Total nonfarm payroll employment rose 164,000 last month. U.S. unemployment and employment trends are shown in Chart 6.

Chart 6: U.S. Employment and Unemployment



Growth of total nonfarm payroll employment so far this year averaged 200,000 employees per month, up from 182,000 on average in all of 2017. In April, employment rose in the professional and business services sector; in manufacturing, mostly at durable goods producers; in health care, including both hospitals and ambulatory services such as doctors' offices; and in mining. Over the past year, employment increases were widespread among goods-producing and service-providing industries.

The decline in the unemployment rate to 3.9% in April follows six months when this rate held steady at 4.1%. The number of people counted as unemployed, at 6.3 million, was the lowest since 2001. Of these, 1.3 million had been without jobs and actively looking for work for six months or more, fewest since 2007.

The decline from March to April in the number of people counted as unemployed, by 239,000, did not happen because of a similar increase in total employment, which rose only 3,000.[12] Instead, participation in the labor force, the total of people employed plus those looking for work, declined 236,000. Such a decline is not unusual. The labor force contracted in March as well after rising in the previous four months and by 1.3 million over the past year.

The labor force participation rate, the share of the population that is either employed or actively seeking work, peaked in 2000. Labor force participation has climbed since 2015 but remains below the peak. In part, this reflects the large group of people born in the years after World War II starting to reach traditional retirement age in the past decade. Among persons ages 25 to 54, sometimes referred to as the prime working-age group, the labor force participation rate peaked in 1999 at 84.6%, and was 2.6 percentage points lower in April. If enough people in the 25- to 54-year-old age group sought work to bring that group's labor force participation rate back to its peak, and were all initially unemployed, the unemployment rate would be two percentage points higher than the 3.9% rate reported for April.

The nation's real GDP rose in the first quarter at a 2.3% annual rate, down from growth at close to a 3% annual rate in the previous three quarters. Slower real GDP growth reflects in part a drop in consumer spending on motor vehicles and declines or slower growth in spending on

The nation's real GDP rose in the first quarter at a 2.3% annual rate.

[12] Total employment includes persons on nonfarm payrolls as well as the self-employed and farm workers. Data on nonfarm payroll employment and on total employment and unemployment are collected in two separate surveys.

some other types of consumer goods. Residential fixed investment was about unchanged after a sizable increase in last year's fourth quarter. Government spending growth slowed. On the other hand, nonresidential fixed investment grew at more than a 6% annual rate, and exports rose at nearly a 5% rate.

In March, nationwide industrial production increased 0.5% following a 1.0% rise in February. First quarter industrial output rose at a 4.5% annual rate. The manufacturing component of the total industrial production index rose at a 3.1% annual rate in the quarter. The other major components of the index, mining and utilities, increased more rapidly, at rates of 10.8% and 6.1%, respectively. Increases were widespread among industries.

The consumer price index (CPI) fell 0.1% in March and was 2.4% higher than a year earlier. Gasoline prices fell 4.9% in March, accounting for the one-month drop in the overall index. Excluding food and energy, the CPI increased 0.2% in March, rising to 2.1% higher than a year earlier, the largest year-over-year increase since February 2017. A related index, the personal consumption expenditures deflator, was 2.0% higher in March than a year earlier, and 1.9% higher excluding food and energy, also largest since February 2017.

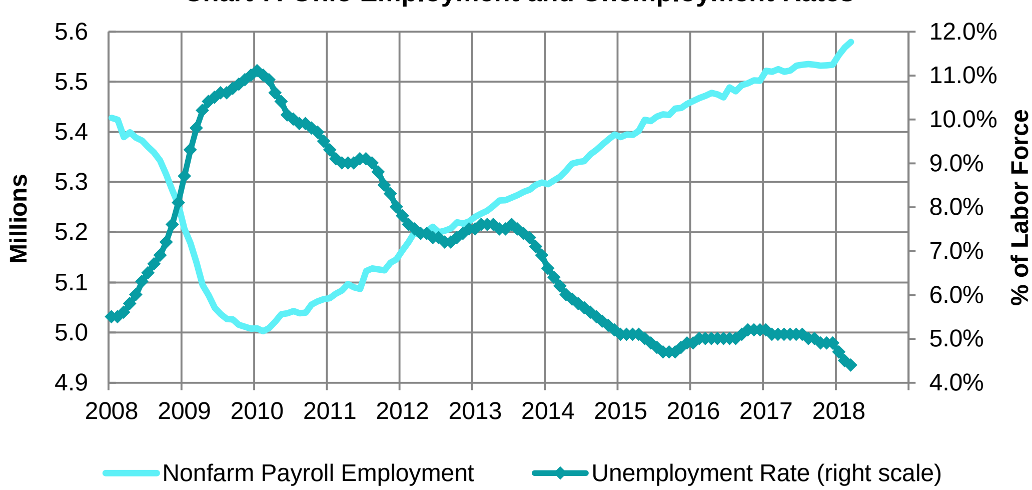
Wage inflation is also picking up. The employment cost index for wages and salaries of all private industry workers rose 2.9% in the year to March, the largest rise in this measure of pay increases since 2008.

Ohio's unemployment rate in March reached its lowest level since August 2001.

The Ohio Economy

Ohio's economy continued to add more jobs in March, and the state's unemployment rate reached its lowest level since August 2001. Ohio employment and unemployment over the last ten years are shown in Chart 7.

Chart 7: Ohio Employment and Unemployment Rates



In March, Ohio's unemployment rate edged down to 4.4% from 4.5% in February. The number of unemployed workers in Ohio was 253,000 in March, 9,000 fewer than in February, and 40,000 fewer than in March of last year.[13] The state's unemployment rate in March remained higher than the U.S. unemployment rate. The U.S. unemployment rate was 4.1% in March, unchanged from February, and down from 4.5% in March of last year.

Ohio's total nonfarm payroll employment rose by 10,800 in March following larger increases in January and February.

Ohio's total nonfarm payroll employment, seasonally adjusted, rose by 10,800, or 0.2%, in March from the revised total in February, following larger increases in January and February. Ohio's nonfarm payroll added a total of 44,700 jobs (0.8%) in the first quarter of 2018 compared to the first quarter in 2017.

In March, the increase in the number of jobs was nearly across the board. Employment in goods-producing industries increased by 2,900, led by increases in durable goods manufacturing and construction. Private service-producing industries added 5,700 jobs, mostly in trade, transportation, and utilities, and in leisure and hospitality. Government employment increased at all levels. Compared to March of last year, the state's nonfarm payroll employment was 54,400, or 1.0% higher. Employment gains from March of last year were largest in durable goods manufacturing, in transportation, warehousing, and utilities, in healthcare and social assistance, and in finance and insurance.

Ohio's real GDP increased 1.8% at a seasonally adjusted annual rate in the fourth quarter of 2017, compared with real GDP growth of 2.7% for the 50 states and the District of Columbia.[14] The industry group contributing the most to Ohio's growth was durable goods manufacturing, followed by management of companies and enterprise, and then nondurable goods manufacturing. Ohio's current-dollar GDP, not adjusted for inflation, reached $661 billion at an annual rate in the fourth quarter of 2017, contributing about 3.4% of U.S. GDP. In all of 2017, Ohio's real GDP increased 1.9% from 2016, less than the 2.1% increase in the 50 states and the District of Columbia. Ohio's real GDP growth has

[13] In the context of labor force participation discussed above, the 28,400 decline in the number of unemployed in Ohio during the three months since December was due more to the 17,100 gain in total employment than to the 11,300 workers who exited the labor force during that period.

[14] GDP for the 50 states plus the District of Columbia differs from GDP because GDP by state for the nation excludes federal military and civilian activity located overseas, which cannot be attributed to a particular state.

trailed behind U.S. real GDP growth since 2015. Ohio's growth in 2017 was ranked 21st among the 50 states. Sectors contributing the most to Ohio's growth in 2017 were mining, quarrying, and oil and gas extraction; finance and insurance; construction; wholesale trade; and health care and social assistance.

Ohio's real GDP increased 1.8% at a seasonally adjusted annual rate in the fourth quarter of 2017.

The number of existing home sales in Ohio decreased by 4.0% in March compared to March of last year, according to the Ohio Association of Realtors. From January through March of this year, existing home sales were 2.6% lower than in the corresponding months in 2017. The statewide average sales price of homes sold in January through March of this year was $167,041, or 6.1%, higher than in the corresponding period a year earlier.

Economic activity in the Cleveland Federal Reserve District continued to expand at a moderate pace over the past six weeks, according to the Beige Book.[15] Companies continued hiring but noted problems finding qualified new hires, while wage growth remained moderate. Input price pressures remained strong. Some contacts reported double-digit increases in steel product prices due to the recently imposed tariffs. Retailers noted that retail sales continued to improve since the beginning of the year and compared to the same period last year. However, demand for new motor vehicles weakened. Manufacturing activity continued an upward trend. New and existing single-family home sales in the first two months of this year decreased by 2% compared to the same period a year earlier, but the average sales price increased over 7%. Nonresidential construction demand increased. Demand for commercial loans remained healthy while demand for consumer loans was flat to down. Demand for nonfinancial services increased at a moderate to strong pace.

[15] The Federal Reserve Bank of Cleveland's district consists of all of Ohio, western Pennsylvania, eastern Kentucky, and the northern panhandle of West Virginia. Comments summarized above are from the latest edition of the Beige Book, a Federal Reserve publication that summarizes comments from business and industry contacts outside of the Federal Reserve System collected on or before April 9, 2018.